

## **WORKOVER AND SERVICE RIG VALUATION INSTRUCTIONS**

It is the responsibility of the taxpayer to certify to you the year the rig was new, the manufacturer's depth rating and what type of rig it is, whether it is a Service rig, a Workover rig, a Pole rig or a Cable Tool rig.

The licensing method chosen by the owner(s) of a Service rig, Workover rig, Pole rig or Cable Tool rig determines the appropriate method of taxation.

These rigs are subject to the class 8 property tax under the following circumstance:

If the owner applies for a Special Mobile (SM) permit for the unit.

- The unit shall be valued by depreciating the replacement cost new (RCN) of the complete unit based on the manufacturer's depth rating.

These rigs are **exempt** from the class 8 property tax under the following circumstances:

- The rig is mounted on or attached to a vehicle with a rated capacity of more than 1-ton.

AND

- The vehicle is properly licensed for use on the highway with all appropriate gross vehicle weight (GVW) fees paid.

**Note: If you have any questions concerning the assessment of this type of property contact the central office in Helena.**

## Valuation

### Workover rig or Service rig

The replacement cost new (RCN) is determined by the manufacturer's depth rating.

Apply the wholesale trended % good from the Workover and Service rig Depreciation Schedule to the RCN to determine the market value. The wholesale trended % good to be used is determined by the year the rig was new.

**Example:** The taxpayer purchased a new Workover rig in 2007 with a manufacturer's depth rating of 6000'.

$$\begin{aligned} \text{RCN} &= 305,572 \times 69\% = \$210,845 \text{ market value} \\ 210,845 \times 3\% &= \$ 6,325 \text{ taxable value} \end{aligned}$$

Your Orion entry should look like this:

The screenshot displays the Orion software interface for a property appraisal. The title bar indicates the file is "18-000000TEST-001 Personal Property - Strict Personal - Test 56". The main window has a menu bar (File, View, Tools, Help) and a toolbar with buttons for Forms, Apply, Save, and Exit. The title bar also shows "D 18-000000TEST-001 Personal Property - Strict Personal" and "Appraisal".

The interface is divided into several sections:

- General Information:**
  - Property ID: P607632 (NEW)
  - Legal: Legal
  - Owner: FARMER JOHN(00053632)
  - Situs: Situs
  - Tax Year: 2009
  - As Of: 12/31/2008
- Property List:**
  - Expand All
  - Copy
  - Calculate Property Value
  - Property List:
    - Livestock (0)
    - Heavy Equipment (6)
    - Lease and Rental Property (0)
    - PP Oil and Gas (0)
    - Workover/Service/Drill Rigs (2)
      - 1. Tbl/Sub Tbl 01/01 Workover Rig , Make/Mdl/Type , Depth Rating 6000 , Yr New 2007
      - 2. Tbl/Sub Tbl 03/02 Cable Tool Rig , Make/Mdl/Type , Depth Rating 1 , Yr New 1995
    - Industrial Property (0)
- Workover/Service/Drill Rig Detail:**
  - Tbl/Sub Tbl: 01/01 Workover Rig
  - Description:
  - Class Code: 6522
  - Quantity:
  - Make/Mdl/Type:
  - Year New: 2007
  - Year Acquired:
  - Depth Rating: 6,000
  - Acquired Cost:
  - Revised taxpayer reported detail: ☐
  - Special mobile equipment: ☒
  - Comments:
- Override Value and Reason:**
  - Ovr Reason:
  - Override Value:
- Incentive Program:**
  - Type:
  - Year Granted:
- Calculation Detail:**
  - Market Value: \$210,845
  - RCN: \$305,572
- Other Information:**
  - Message:
- Depreciation Detail:**
  - Age: 2
  - Depr Table: PPWSDR1
  - Pct Good: 69
- Converted Value:**
  - Conv Mkt Val:
- Mkt Value:** \$210,845

The bottom status bar shows the date and time: 1/2/2009 9:53 am, and the taskbar includes icons for Start, 2 Microsoft Office applications, Appraisal Home, 18-000000TES..., 3 Microsoft Office applications, 2009 Manual, MetaFrame Pr..., and a system tray with various icons and the time 9:53 AM.

### Pole rig or Cable Tool rig

Apply the wholesale trended % good from the Workover and Service rig Depreciation Schedule to the RCN for Pole or Cable Tool rigs. The wholesale trended % good to be used is determined by the year the rig was new.

**Example:** The taxpayer acquired a 1995 cable tool rig in 2001.

$$\begin{aligned} \text{RCN} &= 60,000 \times 22\% = \$13,200 \text{ market value} \\ 13,200 \times 3\% &= \$ 396 \text{ taxable value} \end{aligned}$$

Your Orion entry should look like this:

The screenshot shows the Orion software interface for a property appraisal. The title bar indicates "18-000000TEST-001 Personal Property - Strict Personal - Test 56". The main window displays the "Appraisal" tab for a property with ID "P607632" and owner "FARMER JOHN(00053632)". The tax year is "2009" as of "12/31/2008".

The property list on the left includes "Workover/Service/Drill Rigs (2)", with two items listed: "1. Tbl/Sub Tbl 01/01 Workover Rig, Make/Mdl/Type, Depth Rating 6000, Yr New 2007" and "2. Tbl/Sub Tbl 03/02 Cable Tool Rig, Make/Mdl/Type, Depth Rating 1, Yr New 1995".

The "Workover/Service/Drill Rig Detail" section shows the following information:

Tbl/Sub Tbl	03/02 Cable Tool Rig	Description		Class Code	6522
Quantity		Make/Mdl/Type		<input type="checkbox"/> Revised taxpayer reported detail	
Year New	1995	Year Acquired	2001	<input checked="" type="checkbox"/> Special mobile equipment	
Depth Rating	1	Acquired Cost		Comments	

The "Override Value and Reason" section shows "Ovr Reason" as "1" and "Override Value" as "1".

The "Incentive Program" section shows "Type" as "1" and "Year Granted" as "1".

The "Calculation Detail" section shows "Market Value" as "\$13,200" and "RCN" as "\$60,000". The "RCN" value is highlighted with a red box.

The "Depreciation Detail" section shows "Age" as "14", "Depr Table" as "PPWSDR1", and "Pct Good" as "22".

The "Other Information" section shows "Message" as "Message".

The "Mkt Value" is displayed as "\$13,200".

**Note:** Depth Rating is a required field. Regardless of what number is entered, the RCN for Cable Tool & Pole Rigs is \$60,000.

The RCN for a Pole rig or Cable Tool rig, regardless of depth, is \$60,000.

### **WORKOVER, SERVICE, POLE & CABLE TOOL RIG DEPRECIATION SCHEDULE**

This schedule is to be used from January 1, 2009, through December 31, 2009 (reference ARM 42.21.139).

The following schedules will be used to arrive at market value when assessing Service, Workover, Pole and Cable Tool rigs.

<b><u>YEAR NEW</u></b>	<b><u>WHOLESALE TRENDED % GOOD</u></b>
2009	80%
2008	74%
2007	69%
2006	67%
2005	62%
2004	58%
2003	51%
2002	41%
2001	32%
2000	26%
1999 and older	22%

### **DEPTH CATEGORIES AND REPLACEMENT COST NEW**

<b><u>MANUFACTURER'S DEPTH RATING</u></b>	<b><u>SERVICE RIG RCN</u></b>	<b><u>WORKOVER RIG RCN</u></b>
0 - 3,000'	146,788	186,788
3,001 - 5,000'	187,336	227,336
5,001 - 8,000'	245,572	305,572
8,001 - 10,000'	293,325	393,325
10,001 - 14,000'	322,918	472,918
14,001 & over	405,426	555,426

The RCN for a Pole rig or Cable Tool rig, regardless of depth, is \$60,000.

<b><u>Property Type</u></b>	<b><u>Class Code</u></b>	<b><u>Property Class</u></b>	<b><u>Taxable Percentage</u></b>
Service & Workover Rigs & Related Oilfield Equip.	6522	8	3%